

# Boeing seals large 737 MAX order as airlines eye recovery

March 29 2021, by John Biers

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Southwest Airlines announced a large order for the Boeing 737 MAX, solidifying its relationship with the plane maker

US carrier Southwest Airlines agreed to buy 100 additional Boeing 737 MAX planes, the companies announced Monday, in a vote of confidence

for the aircraft after a 20-month grounding.

The order, which includes options on another 155 new MAX planes, is the biggest for the model since regulators cleared it to resume service in late 2020 following two deadly crashes that sent Boeing into a crisis exacerbated by the industry downturn during the pandemic.

Southwest's order is worth \$12.5 billion at catalogue prices, which are almost never paid. The announcement means Boeing could build more than 600 new MAX jets for Southwest through 2031, Boeing said.

"Southwest Airlines has long been a leader and bellwether for the airline industry and this order is a big vote of confidence for commercial air travel," said Stan Deal, president of Boeing's commercial division.

"As vaccine distribution continues to pick up, people are returning to the skies and fueling hopes for a full recovery and renewed growth across our industry."

Single-aisle planes like the MAX, which are ideally suited for relatively short trips, have been seen as early beneficiaries of a post-pandemic recovery in which leisure and domestic travel are seen as recovering well before international and business travel.

## **Staying 'all-Boeing'**

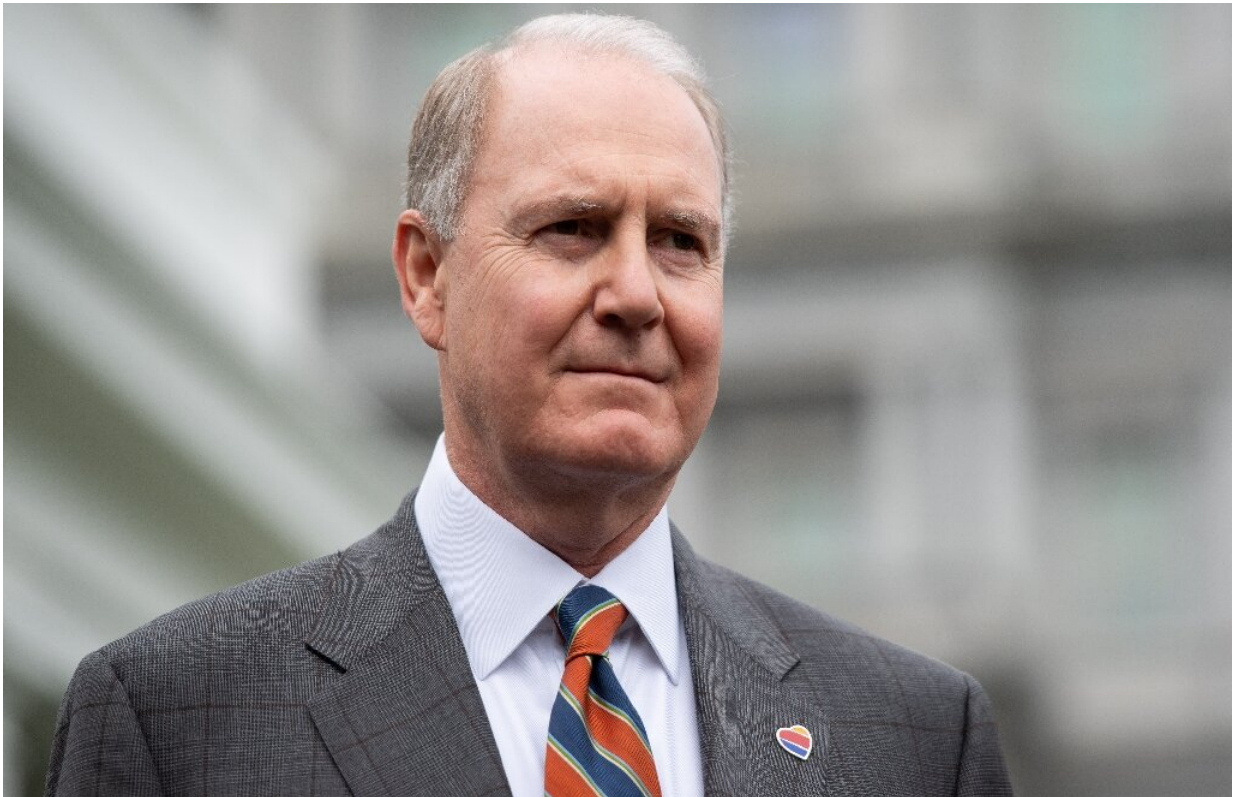
Southwest said the order followed a multi-year evaluation of its flying needs, pointing to advantages with the MAX that include a 14 percent improvement in fuel efficiency and quieter engines less disruptive to passengers.

The announcement also illustrates the enduring quality of the domestic-oriented US carrier's relationship with Boeing despite a trying period

during the MAX grounding.

During that lengthy strategy, Southwest Chief Executive Gary Kelly had at times criticized Boeing's handling of the MAX crisis, even hinting at times that Southwest could purchase planes from Airbus and drop its status as an all-Boeing carrier.

But on Monday, Southwest said the agreement with Boeing was "cost-effective" in light of the "operational efficiencies of an all-Boeing 737 fleet," according to a press release.



Southwest Airlines CEO Gary Kelly, who at times criticized Boeing during the lengthy 737 MAX grounding, reaffirmed his company's relationship with the US aviation giant

Southwest had been eyeing a possible Airbus A220 order, but introducing another plane would have added to maintenance and training costs.

"Today's commitment to the 737 MAX solidifies our continued appreciation for the aircraft and confirms our plan to offer the Boeing 737 series of aircraft to our employees and customers for years to come," Kelly said.

Major airlines continue to burn through cash due to low travel volumes, but improvement is expected in 2021 compared with a disastrous 2020.

Southwest said it "remains cautious" on its outlook due to COVID-19 and has not finalized travel schedules beyond May.

"The company will continue to plan for multiple fleet and capacity scenarios," Southwest said, adding that the MAX order gives it greater flexibility to manage "in a variety of economic environments."

Southwest said it expects delivery of 28 MAX aircraft in 2021, as well as 17 retirements of older planes.

The Southwest announcement comes on the heels of earlier significant MAX orders from Ryanair, United Airlines and investment firm 777 Partners.

Boeing continues to face litigation from families of victims who died in crashes on Lion Air and Ethiopian Airlines flights, together claiming 346 lives.

In January, Boeing agreed to pay \$2.5 billion in fines to settle a criminal probe with the US Department of Justice over claims the company defrauded regulators overseeing the 737 MAX.

The US Federal Aviation Administration in mid-November cleared the MAX to return to service following upgrades to the plane and pilot training protocols. Other regulators have followed suit since then.

In addition to the positive developments on the MAX, Boeing said it resumed deliveries on the 787 Dreamliner planes after halting deliveries last fall due to production problems.

Shares of Boeing jumped 2.3 percent to \$250.52, while Southwest dipped 0.5 percent to \$60.96.

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